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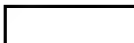
26 May 1955

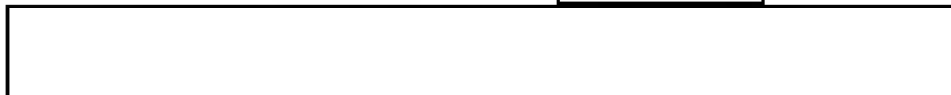


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CENTRAL INTELLIGENCE AGENCY



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State Dept. review completed

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SUMMARY

FAR EAST

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SOUTH ASIA

2. Afghan defense minister says mobilization has been abandoned (page 3).

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6. Comment on establishment of Soviet State Committee of Labor and Wages (page 7).

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FAR EAST**1. Japan denies intent to withdraw from GATT negotiations:**

25X1 [redacted] An official of the Japanese Foreign Ministry has stated categorically that Japan has no intention of withdrawing from negotiations now being conducted as a preliminary to Japan's accession to the General Agreement on Tariffs and Trade (GATT).

The American embassy in Tokyo reports, however, that Japan is concerned and probably resentful over the large number of countries which may invoke Article 35, which could deny most-favored-nation treatment to Japan.

Comment: An earlier report reaching the embassy stated that Japan was planning to abandon its efforts to join GATT because of domestic opposition to tariff cuts and because of the large number of nations planning to invoke Article 35 of the agreement.

Japan appears to be assured of the necessary 23 votes for full membership.

SOUTH ASIA**2. Afghan defense minister says mobilization has been abandoned:**

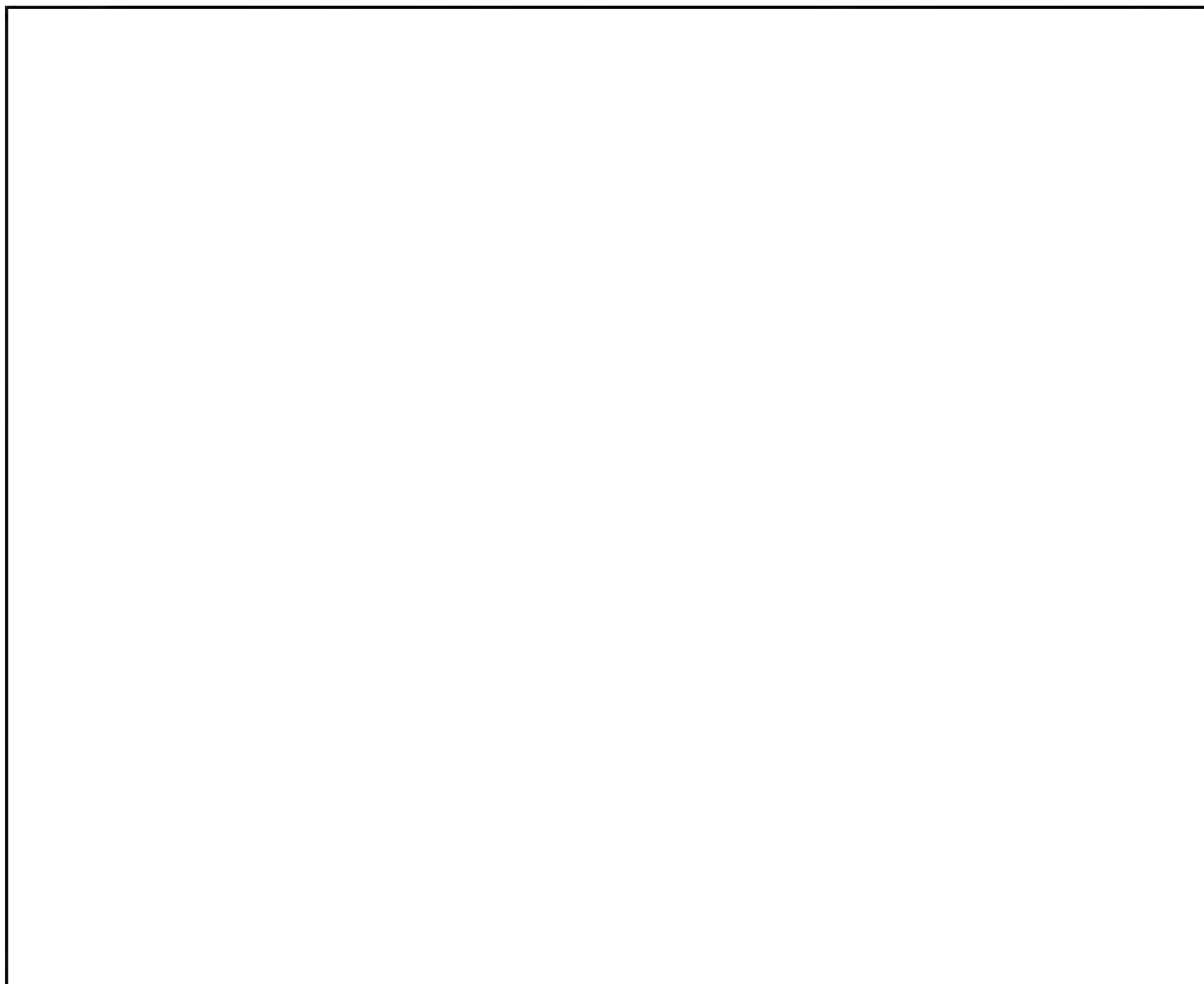
25X1 [redacted] Afghan defense minister Mohammad Arif stated on 23 May that Afghan troop mobilization had been abandoned, [redacted] 25X1

Comment: If troops called to active duty since 4 May are actually being disbanded, it would be an admission of Afghan inability to maintain a strong front against Pakistan for any appreciable length of time and would materially weaken Kabul's international position. It would also further weaken confidence in Daud, since as prime minister and as a former war

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minister he should have been able to estimate more accurately his country's ability to withstand the strain of mobilization--especially when mobilization is used as a political weapon.

There have been several reports that the Afghan administration and economy were disrupted by the retention of conscripts on active duty.



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WESTERN EUROPE

4. Conservatives seen winning British election by narrow margin:

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The consensus in Britain is that the Conservative Party will win the general elections on 26 May with about the same majority it now holds or with a slight increase.

According to the American embassy in London, this estimate is based on the belief that few voters have switched from their 1951 choices, that any Conservative gains resulting from the redistribution of seats may be balanced by losses caused by incursions of the Liberal Party, and that Labor abstentions due to apathy may be canceled out by Conservative abstentions resulting from overconfidence.

Comment: A Gallup poll published on 24 May gives the Conservatives a 4-percent lead over Labor, but also shows 12.5 percent of the people in the "don't know" column. Judging from past elections, more than half of the "uncommitted" votes will go Labor. Professional pollsters generally estimate the Conservatives' actual lead at only 1.5 percent, a margin which could give them a majority of between 30 and 35 seats.

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6. Comment on establishment of Soviet State Committee of Labor and Wages:

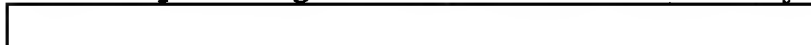


On 24 May the USSR created under L. M. Kaganovich, one of the top Soviet leaders and long the foremost industrial trouble shooter within the Soviet hierarchy, a state committee on labor and wages. Kaganovich's appointment underscores the urgency with which Soviet leaders view the labor situation.

There has been a progressive worsening of the Soviet labor situation since at least the advent of the Fifth Five-Year Plan. The deterioration of the labor program has taken the following apparent form: consecutive overfulfillment of the rate of entry into the labor force; chronic overexpenditure of the wage fund; until 1954, annual declines in rate of increase in labor productivity; and failure to undertake prompt revision of wage and output norms in the presence of major changes in technology.

More than anything else, the creation of the Kaganovich committee represents an effort to improve labor productivity through direct rationalization of the labor force structure as opposed to 1953 plan revisions which were aimed at improving productivity by indirect incentive measures.

This rationalization may well have the effect of providing still another anti-inflationary measure.



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